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C O N F I D E N T I A L ABU DHABI 04573

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C O N F I D E N T I A L SECTION 01 OF 02 ABU DHABI 004573

SIPDIS

STATE FOR NEA, NEA/ARPI

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STATE PASS USTR FOR AMBASSADOR DONNELLY AND DOUG BELL

E.O. 12958: DECL: 11/08/2015

TAGS: [ETRD](#) [ECON](#) [EFIN](#) [AE](#)

SUBJECT: UAE FTA CO-CHAIRS ON UPCOMING FTA ROUND

REF: A. ABU DHABI 4306

[¶](#)B. ABU DHABI 4105

Classified By: Ambassador Michele J. Sison for reasons 1.4 (B & D).

[¶](#)1. (U) This is an action request. Please see para 8.

[¶](#)2. (C) Summary: On November 8, UAE FTA Co-Chairs MinEcon Sheikha Lubna and Minstate Finance Dr. Khirbash told Ambassador (in separate conversations) that the Emirati side is committed to an FTA with the U.S. and that they were working to make progress in the upcoming November 12-15 London round of negotiations. However, they both expressed disappointment with a perceived "lack of movement" on the U.S. side and a perceived USG "lack of acknowledgement" of movement on the UAE side. Dr. Khirbash stressed that his instructions from the UAE political leadership were to move forward on the FTA because of its "strategic importance." Both raised the issue of telecom; Ambassador stressed that the U.S. has not proposed a market access limitation on mobile services. They clearly appreciated Ambassador's statement that the USG viewed this round of negotiations as important. End Summary.

[¶](#)3. (C) On November 8, Ambassador and Econchief met with Minister of Economy and Planning Sheikha Lubna Al-Qasimi to discuss the upcoming FTA negotiations in London, the third round since March 2005. Ambassador also spoke by telephone with UAE FTA Co-Chair MinState for Finance Dr. Mohammed Khalfan bin Khirbash the same day. Dr. Khirbash, who was outside of Abu Dhabi, told Ambassador that the UAE negotiating team has "direction from our high level leadership to go forward, because our government views the FTA as an important strategic agreement." Sheikha Lubna emphasized that the FTA's emphasis on transparency was

important to the UAE, and that she supported FTAs and the WTO because they provided good incentives for economic reform. Sheikha Lubna said that the UAE is a regional leader in economic openness and diversification, noting that the FTA could promote further economic reform that would eventually enhance the UAE's competitiveness. As an American Business Council member(dating from her days as Tejari.com CEO), she added that she believed that the goal of an FTA was to improve the business climate for both sides.

¶4. (C) Both Sheikha Lubna and Dr. Khirbash expressed disappointment over the October 7 London meetings, repeating many of the points made by Deputy PM/MinState Foreign Affairs Sheikh Hamdan bin Zayed and Minister of Information Sheikh Abdullah bin Zayed to Charge and A/S Welch (ref A). Dr. Khirbash asserted that the UAE side had come prepared to make progress and was disturbed that not all of their preparation "appeared to be taken into account." Sheikha Lubna identified labor and security of assets as areas where further dialogue on UAE proposals was needed. She said that the UAE had announced that it was interested in following the "Oman FTA model" in regard to labor. She also said that when the UAE raised security of assets and having a sidebar meeting to move this subject forward, the U.S. negotiators responded that it was an OFAC issue that USTR could not discuss. Sheikha Lubna noted that OFAC had already agreed in principle to discuss the issue, but was awaiting an invitation from USTR (see ref B).

¶5. (C) Sheikha Lubna, indicating that she was "speaking as a friend," told the Ambassador that she understood the "political reasons" on both sides for wanting the agreement. She noted that she wanted an agreement that also served the economic interests of both parties. She cited the U.S.-Australia FTA as an example of a "good, high quality agreement," noting that it had taken a full three years to negotiate. The Ambassador stressed that the November 12-15 London round would be critical. If the negotiations did not conclude in 2006, the expiration of Trade Promotion Authority (TPA) could delay the agreement considerably. Sheikha Lubna responded that she understood the time constraint, but added that the UAE could not sign an agreement if it did not meet the UAE's needs.

¶6. (C) Ambassador noted to both Sheikha Lubna and Dr. Khirbash that we took note that the UAE had moved forward in a number of areas, including on the agencies' and companies' laws. Dr. Khirbash explained that the UAEG had had a difficult time convincing its stakeholders of the need to modify the companies' law for U.S. companies, but did so because of the strategic importance of the agreement to the UAE. Ambassador also raised the issue of telecom, explaining that the U.S. has not proposed a market access limitation on mobile services in the FTA. Sheikha Lubna disagreed, noting that the U.S. side had insisted on total access to the UAE market, the ability to provide telecom cross border (rather than establishing a physical presence in the UAE), and had told the UAE that its companies could not operate GSM networks in the U.S. because that segment of the market was overcrowded.

¶7. (C) Comment: Sheikha Lubna's conversation with Ambassador was frank and spirited. It is clear that she and Dr. Khirbash understand that USTR's room to maneuver is limited in some areas, but nonetheless the Emirati side seeks U.S. movement where possible. While the UAE's political leadership is looking at the FTA's role in the broader strategic relationship, Sheikha Lubna's comments reflect the UAEG's need to sell this agreement to its UAE business community stakeholders. End Comment.

¶8. (C) Action Requests:

-- Since both Sheikha Lubna and Dr. Khirbash raised our close strategic partnership in areas ranging from Afghanistan (UAE troops on the ground), to Iraq (significant financial support and training of Iraqi security forces), to hurricane relief (\$100 million cash donation to the USG), we recommend that AUSTR Donnelly lead off the November 12 opening session by

thankng the UAE for their close cooperation on broader geopolitical issues.

-- On the issue of the Abu Dhabi Investment Authority and Central Bank's concerns about security of assets, we know that OFAC would be happy to meet with the UAE, if USTR agrees. We believe that this has been arranged, but if not, it would be a gesture that the U.S. negotiators could make to address a real UAE concern.

-- In addition, please provide more detail on the specifics of the mobile telephone dispute that we can use in our conversations with the UAEG. End Action request.

SISON